

AMENDED IN ASSEMBLY JUNE 26, 2003

AMENDED IN ASSEMBLY JUNE 17, 2003

AMENDED IN ASSEMBLY JUNE 9, 2003

AMENDED IN SENATE APRIL 21, 2003

SENATE BILL

No. 407

Introduced by Senator Torlakson

February 20, 2003

An act to add Chapter 6.4 (commencing with Section 30030) to Division 3 of Title 3 of the Government Code, and to add Section 97.5 to the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 407, as amended, Torlakson. Local government financing: enterprise special districts: property tax revenue allocations.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, that the amounts of

property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education. Existing law excludes from these reduction and transfer requirements, among other entities, multicounty special districts.

This bill would require, in the 2003–04 fiscal year, that the amount of ad valorem property tax revenue deemed allocated in the 2002–03 fiscal year to an enterprise special district, as defined, be reduced by the lesser of 2 amounts. This bill would decrease this reduction amount by 70% for a district that also performs nonenterprise functions. This bill would also require that those ad valorem property tax revenues that are not allocated to an enterprise special district as a result of these provisions instead be allocated to a county Educational Revenue Augmentation Fund for allocation as otherwise required by law. This bill would also require that ad valorem property tax revenue allocations in the 2004–05 fiscal year and each fiscal year thereafter fully incorporate the allocation adjustments required by the bill.

By requiring county auditors to recalculate ad valorem property tax revenue allocations to enterprise special districts and Educational Revenue Augmentation Funds, this bill would impose a state-mandated local program.

This bill would also establish the Local Services Preservation Fund to receive, in each fiscal year, an amount of money equal to the total amount of money required by this bill to be allocated in that fixed year to Educational Revenue Augmentation Funds. This bill would also state the intent of the Legislature to appropriate moneys in the Local Services Preservation Account to counties and cities, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state,



reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Chapter 6.4 (commencing with Section 30030) is added to Division 3 of Title 3 of the Government Code, to read:

CHAPTER 6.4. LOCAL SERVICES PRESERVATION FUND

30030. (a) (1) The Local Services Preservation Fund is hereby created in the State Treasury to receive, in each fiscal year, an amount of money equal to the total amount of money allocated in each fiscal year to Educational Revenue Augmentation Funds pursuant to Section 97.5 of the Revenue and Taxation Code.

(2) On or before June 1 of each fiscal year, the Director of Finance shall notify the Treasurer of the amount to be deposited in the Local Services Preservation Fund for that fiscal year.

(b) It is the intent of the Legislature to appropriate, in the annual Budget Act, moneys in the Local Services Preservation Fund among counties and cities in shares based on the relative population of each county or city.

SEC. 2. Section 97.5 is added to the Revenue and Taxation Code, to read:

97.5. (a) (1) Notwithstanding any other provision of law, for purposes of making property tax revenue allocations for the 2003–04 fiscal year, the total amount of ad valorem property tax revenue, *other than those revenues pledged to debt service*, deemed allocated to an enterprise special district in the 2002–03 fiscal year shall, subject to modification under paragraph (2), be reduced by the lesser of the following:

(A) Forty percent.

(B) An amount equal to 10 percent of that district’s total revenues, from whatever source.

(2) For an enterprise special district that also performs a *fire protection or recreation and park* nonenterprise function, *as identified in the most recent edition of the State Controller’s Special Districts Annual Report*, the amount of the reduction

1 calculated pursuant to paragraph (1) shall be decreased by 70
2 percent.

3 (b) If an enterprise special district is located in more than one
4 county, the auditor of each county in which that enterprise special
5 district is located shall implement that portion of the total
6 reduction, required by subdivision (a) with respect to that district,
7 determined by the ratio of the amount of ad valorem property tax
8 revenue allocated to that district from the county to the total
9 amount of ad valorem property tax revenue allocated to that
10 district from all counties.

11 (c) Those amounts of ad valorem property tax revenues that are
12 not allocated by a county to an enterprise special district as a result
13 of subdivisions (a) and (b) shall instead be deposited in the
14 county's Educational Revenue Augmentation Fund for allocation
15 as otherwise required by law.

16 (d) For the 2004–05 fiscal year and each fiscal year thereafter,
17 ad valorem property tax revenue allocations made pursuant to
18 Section 96.1 shall fully incorporate the allocation adjustments
19 required by this section.

20 (e) For purposes of this section:

21 (1) An “enterprise special district” means a special district,
22 other than a special district described in paragraph (2), that meets
23 both of the following criteria:

24 (A) The special district is not otherwise required by law, for any
25 fiscal year, to have its ad valorem property tax revenue allocation
26 reduced and reallocated to an Educational Revenue Augmentation
27 Fund.

28 (B) The special district is properly included as performing an
29 enterprise activity as identified in the most recent edition of the
30 State Controller's Special Districts Annual Report.

31 (2) An “enterprise special district” does not include any of the
32 following:

33 (A) A qualified special district, as defined in Section 97.34.

34 (B) A district organized pursuant to the Local Health Care
35 District Law set forth in Division 23 (commencing with Section
36 32000) of the Health and Safety Code.

37 (C) A transit district.

38 (3) “*Revenues pledged to debt service*” includes only those
39 amounts required to pay debt service costs in the 2002–03 fiscal

1 *year on debt instruments issued by a special district for the*
2 *acquisition of capital assets.*

3 SEC. 3. Notwithstanding Section 17610 of the Government
4 Code, if the Commission on State Mandates determines that this
5 act contains costs mandated by the state, reimbursement to local
6 agencies and school districts for those costs shall be made pursuant
7 to Part 7 (commencing with Section 17500) of Division 4 of Title
8 2 of the Government Code. If the statewide cost of the claim for
9 reimbursement does not exceed one million dollars (\$1,000,000),
10 reimbursement shall be made from the State Mandates Claims
11 Fund.

